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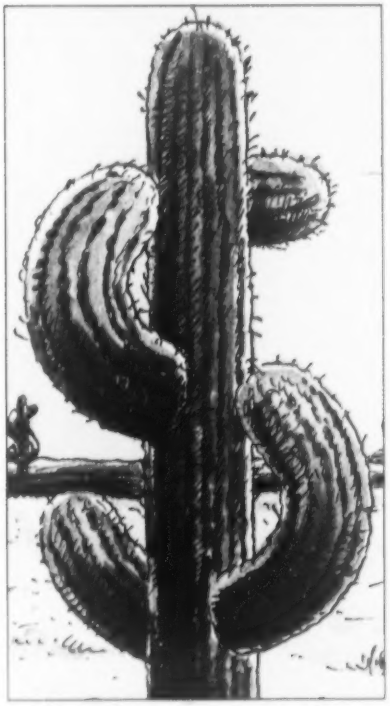
DECEMBER 1, 1991 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.50



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FOLIO:'S 1991

CIRCULATION SALARY SURVEY

By Suzanne Zelkowitz

Pressure. Pressure from escalating postal rates. Pressure due to tighter budgets. Pressure to cut costs without reducing good circulation. Pressure to make up for advertising shortfalls. Pressure to find alternative sources in the face of shrinking response rates. To find buyers—not bodies. To boost returns from direct mail. To switch from a data-centered management mindset to a marketing-centered management structure. To promote growth by . . . .

Increased pressure was this year's circulation salary survey's dominant theme—the harried word coming down to FOLIO: from circulation professionals all across the nation.

But are publishing companies stoking the motivational fires by offering circulation professionals monetary incentives to work harder in the face of these pressures? FOLIO:'s seventh annual circulation salary survey provides the answers with a complete rundown of salaries and total compensation for circulation directors and managers. Some key findings:

- On average, circulation directors and circulation managers on consumer magazines make 28 percent and 20 percent more in salary, respectively, than their counterparts on business titles.
- Overall, male circulation directors earn 25 percent more in salary than their female colleagues; in general, male circulation managers do better, pulling down 35 percent more than their female peers.
- Those with management responsibilities are rewarded. Circulation directors with more than five employees garner three-quarters more in salary than those with none or one. Managers with more than two employees make 16 percent more than those with none or one.
- Experience pays—or does high pay result in longevity? Directors with more than 10 years in the business make, on average, 40 percent more in salary than their less experienced peers.
- Circulation directors who report receiving bonuses receive 11 percent of their total compensation from these bonuses. Managers who are awarded bonuses earn 10 percent of their total compensation from bonus incentives.

(CONTINUED ON PAGE 70)

Methodology: Three hundred forty-four of the 1,046 circulation professionals who received questionnaires responded to FOLIO:'s seventh annual circulation salary survey, resulting in an overall response rate of 33 percent. Three hundred fourteen responses (30 percent) contained sufficient information to be used for tabulation. The survey was conducted through two mailing efforts in May. Participants were asked to supply data reflecting 1991 earnings. If exact figures were unavailable, they were permitted to estimate.

In some cases, respondents did not give an exact bonus figure, but gave an expected range instead. Here the mean was used for tabulation.

Fifty-one percent of the mailing was sent to circulation directors and 49 percent to circulation managers. Each category was evenly divided between consumer and business magazines. Finally, approximately two-thirds of the sample in each category was drawn from publications with circulations under 100,000, while about one-third came from those with circulations of more than 100,000.

(CONTINUED FROM PAGE 67)

Them that's got, gets. It's the higher-salaried circulation directors who are more likely to receive a bonus. Just under half of our directors are eligible for one (95 out of 200).

Circulation director: Salary

Circulation director, or top circulation executive: Plans, directs and coordinates circulation marketing efforts. Directly responsible for budgeting and analyses of single-copy and all subscription programs, list rentals, and database planning and maintenance.

Average salaries (The number of respondents is in parentheses.)		% increase from '90 to '91
All respondents	$46,463 (200)	10.2%
Business	$40,707 (100)	8.0
Consumer	$52,240 (99)	12.0
Top one-third	$72,934 (66)	
Middle one-third	$40,118 (67)	
Bottom one-third	$26,731 (67)	

	Average	Average business	Average consumer
By region:			
Northeast	$53,906 (80)	$45,128 (35)	$60,753 (45)
South	40,981 (40)	42,643 (20)	39,319 (20)
North central	38,463 (47)	37,616 (33)	40,460 (14)
Western	46,708 (32)	32,604 (11)	54,300 (20)
By sex:			
Male	$53,151 (74)	$48,179 (34)	$57,377 (40)
Female	42,535 (126)	36,858 (66)	48,758 (59)
By age:			
29 or less	$33,156 (46)	$31,153 (26)	$35,760 (20)
30-39	51,025 (84)	45,341 (31)	54,454 (52)
40 or more	49,732 (70)	43,144 (43)	60,223 (27)
By years in circulation:			
Up to 3	$36,387 (45)	$27,649 (23)	$45,521 (22)
4-10	44,111 (97)	40,435 (43)	47,038 (54)
More than 10	58,656 (57)	50,397 (33)	70,882 (23)
Eligible for bonus/incentive:			
Yes	$49,974 (95)	$45,629 (45)	$53,963 (49)
No	43,286 (105)	36,680 (55)	50,553 (50)
By employees supervised:			
None one	$36,705 (64)	$30,367 (27)	$41,331 (37)
2-5	44,097 (90)	39,598 (48)	49,259 (42)
More than 5	64,666 (46)	54,005 (25)	78,725 (20)
Responsible for:			
One magazine	$37,774 (71)	$33,924 (27)	$40,137 (44)
More than one	51,450 (128)	45,216 (73)	62,607 (54)
By circulation:*			
Up to 19,999	$31,794 (16)	$35,516 (9)	$27,009 (7)
20,000-49,999	33,018 (49)	33,272 (41)	31,713 (8)
50,000-99,999	40,005 (39)	40,770 (22)	38,528 (16)
100,000-499,999	51,260 (75)	51,335 (26)	51,220 (49)
500,000 or more	78,211 (19)	67,000 (1)	78,833 (18)
By frequency:*			
Weekly biweekly	$51,660 (17)	$54,172 (12)	$45,634 (5)
Monthly	48,375 (140)	39,552 (76)	58,992 (63)
Other	38,183 (43)	34,558 (12)	39,586 (31)
By circulation type:*			
Paid	$51,150 (127)	$45,386 (33)	$53,207 (93)
Nonpaid	38,468 (70)	38,581 (65)	37,000 (5)

*Refers to the largest circulation magazine on which respondent works.

Range of average total compensation

Circulation director:

Top one-third $92,993 (28)

Middle one-third $49,920 (28)

Bottom one-third $32,698 (29)

Circulation manager:

Top one-third $60,563 (8)

Middle one-third $33,375 (8)

Bottom one-third $21,825 (8)

Circulation manager: Salary

Circulation manager: Generally the second level of management in the circulation department. Administers circulation programs for subscriptions and single-copy sales. Handles all facets of circulation for one or more titles.

Management responsibility pays dividends. Circulation managers supervising more than two employees earn 16 percent more than those with no staff or a staff of one.

Average salaries (The number of respondents is in parentheses.)		% increase from '90 to '91
All respondents	$30,465 (114)	10.6%
Business	$27,915 (60)	10.7
Consumer	$33,470 (53)	10.4
Top one-third	$42,653 (38)	
Middle one-third	$28,930 (38)	
Bottom one-third	$19,812 (38)	

	Average	Average business	Average consumer
By region:			
Northeast	$33,957 (45)	$31,695 (20)	$35,766 (25)
South	28,091 (23)	28,769 (13)	27,210 (10)
North central	24,924 (27)	24,418 (17)	25,962 (9)
Western	30,877 (17)	25,190 (10)	39,001 (7)
By sex:			
Male	$37,832 (28)	$34,750 (12)	$40,143 (16)
Female	28,067 (86)	26,206 (48)	30,584 (37)
By age:			
29 or less	$26,519 (46)	$24,046 (24)	$29,217 (22)
30-39	33,672 (37)	30,906 (17)	36,023 (20)
40 or more	32,492 (31)	30,126 (19)	37,333 (11)
By years in circulation:			
Up to 3	$24,688 (17)	$24,173 (30)	$25,597 (17)
4-10	31,694 (51)	30,139 (23)	33,297 (27)
More than 10	42,017 (15)	36,643 (7)	46,720 (8)
Eligible for bonus incentive:			
Yes	$32,945 (31)	$29,813 (16)	$37,150 (14)
No	29,539 (83)	27,225 (44)	32,149 (39)
By employees supervised:			
None one	$28,743 (71)	$26,208 (38)	$31,663 (33)
2-5	32,994 (35)	30,447 (19)	36,806 (15)
More than 5	34,683 (8)	33,500 (3)	35,392 (5)
Responsible for:			
One magazine	$28,473 (48)	$25,074 (23)	$31,601 (25)
More than one	32,400 (64)	29,944 (36)	35,977 (27)
By circulation:*			
Up to 19,999	$21,580 (17)	$21,950 (14)	$19,853 (3)
20,000-49,999	25,048 (21)	25,288 (16)	24,280 (5)
50,000-99,999	30,247 (34)	31,233 (21)	29,026 (12)
100,000-499,999	33,962 (33)	34,122 (9)	33,902 (24)
500,000 or more	47,889 (9)	0 (0)	47,889 (9)
By frequency:*			
Weekly biweekly	$33,562 (16)	$33,200 (10)	$34,164 (6)
Monthly	30,175 (76)	27,195 (43)	34,366 (32)
Other	29,215 (22)	29,786 (7)	31,282 (15)
By circulation type:*			
Paid	$32,330 (68)	$28,559 (22)	$34,133 (46)
Nonpaid	27,787 (45)	27,542 (38)	29,114 (7)

*Refers to the largest circulation magazine on which respondent works.

Range of average bonus/incentive

Circulation director:

Top one-third — $14,104 (28)

Middle one-third — $4,686 (28)

Bottom one-third — $1,454 (29)

Circulation manager:

Top one-third — $9,125 (8)

Middle one-third — $2,025 (8)

Bottom one-third — $838 (8)

Average annual bonus/incentive*

	Circulation director	Circulation manager
Average bonus/incentive:	$ 6,650 (85)	$ 3,996 (24)
By magazine type:		
Consumer	$ 8,512 (44)	$ 2,900 (10)
Business	5,184 (41)	4,992 (13)
By region:		
Northeast	$ 8,513 (31)	$ 5,015 (13)
South	4,744 (17)	2,167 (3)
North central	5,478 (20)	2,240 (5)
Western	6,538 (17)	1,500 (2)
By sex:		
Male	$ 8,689 (37)	$ 4,171 (7)
Female	5,078 (48)	3,924 (17)
By age:		
29 or less	$ 4,023 (20)	$ 5,045 (11)
30-39	8,129 (42)	3,925 (8)
40 or more	6,235 (23)	1,800 (5)
By years in circulation:		
Up to 3	$ 4,989 (14)	$ 1,689 (9)
4-10	5,435 (45)	5,518 (11)
More than 10	9,648 (26)	3,333 (3)
By employees supervised:		
None one	$ 2,679 (24)	$ 4,621 (14)
2-5	5,215 (34)	3,244 (9)
More than 5	11,987 (27)	2,000 (1)
Responsible for:		
One magazine	$ 4,835 (27)	$ 1,529 (7)
More than one	7,556 (57)	5,012 (17)
By circulation:**		
Up to 19,999	$ 2,680 (5)	$ 2,000 (3)
20,000-49,999	1,961 (14)	13,800 (3)
50,000-99,999	4,017 (18)	2,222 (9)
100,000-499,999	9,030 (37)	2,240 (5)
500,000 or more	10,800 (10)	4,325 (4)
By frequency:**		
Weekly biweekly	$ 6,781 (10)	$15,400 (3)
Monthly	6,567 (57)	1,960 (15)
Other	6,842 (18)	3,383 (6)
By circulation type:**		
Paid	$ 7,677 (56)	$ 5,838 (13)
Nonpaid	4,709 (28)	1,800 (10)

* The number of respondents is in parentheses; includes only individuals who reported receiving both salary and bonus.

**Refers to the largest circulation magazine on which respondent works.

Average annual total compensation*

	Circulation director	Circulation manager
Receive bonus/incentive:		
Yes	$58,233 (85)	$38,588 (24)
No	43,286 (105)	29,539 (83)
By magazine type:		
Consumer	$64,902 (44)	$41,910 (10)
Business	51,832 (41)	36,985 (13)
By region:		
Northeast	$72,853 (31)	$39,408 (13)
South	48,472 (17)	31,033 (3)
North central	49,184 (20)	34,440 (5)
Western	51,979 (17)	36,250 (2)
By sex:		
Male	$65,453 (37)	$47,571 (7)
Female	52,667 (48)	34,888 (17)
By age:		
29 or less	$42,213 (20)	$32,227 (11)
30-39	65,983 (42)	49,863 (8)
40 or more	58,010 (23)	34,540 (5)
By years in circulation:		
Up to 3	$39,519 (14)	$27,400 (9)
4-10	53,256 (45)	41,000 (11)
More than 10	76,958 (26)	50,833 (3)
By employees supervised:		
None one	$39,780 (24)	$35,200 (14)
2-5	51,470 (34)	41,256 (9)
More than 5	83,152 (27)	62,000 (1)
Responsible for:		
One magazine	$45,064 (27)	$27,543 (7)
More than one	64,984 (57)	43,135 (17)
By circulation:**		
Up to 19,999	$33,040 (5)	$28,500 (3)
20,000-49,999	33,083 (14)	39,000 (3)
50,000-99,999	48,412 (18)	35,844 (9)
100,000-499,999	66,263 (37)	40,140 (5)
500,000 or more	90,000 (10)	50,075 (4)
By frequency:**		
Weekly biweekly	$64,787 (10)	$59,733 (3)
Monthly	59,250 (57)	34,575 (15)
Other	51,369 (18)	38,050 (6)
By circulation type:**		
Paid	$65,079 (56)	$46,769 (13)
Nonpaid	49,120 (28)	29,190 (10)

* The number of respondents is in parentheses; includes only individuals who reported receiving both salary and bonus.

**Refers to the largest circulation magazine on which respondent works.

PAPER APLENTY

The supply of high-quality, favorably priced virgin coated papers is good news for publishers.

By Arthur Veverka

The current paper market is a magazine publisher's dream. Demand for coated and uncoated printing papers is off, capacity increases have come on-line, offshore competition has stiffened and prices are down. There is an extensive supply of virtually all grades at very competitive price levels. The prevailing pricing environment has allowed publishers to use higher quality grades of paper while maintaining control over costs.

What drives the market

The magazine end-use sector, represented by consumer, business, trade, comic, TV and Sunday newspaper magazines, makes up close to 38 percent of all coated paper usage. If we consider only coated groundwood, where magazines make up slightly over 50 percent of total consumption, magazines play an even more significant role in determining demand.

Magazines consumed 3.1 million tons of coated paper in 1990, an increase of 21,000 tons from the 1989 level. However, 1991 should show a decrease by about 4 percent, and usage in 1992 should remain at about that same level. That drop-off is most directly attributable to the ad slump. Pages were down for the first six months of 1991 (over an 11 percent drop for first half 1991 in business titles, according to MMS-Rome Reports, and a full 10 percent for Publishers Information Bureau-measured consumer magazines, YTD through September), and the second half shows little improvement.

While coated paper gained in popularity, increasing its share of the total magazine-paper market from 76 percent in 1989 to 79.5 percent in 1990, the longer-term trend should show a slight fall-back as interest in European paper technology grows and supercalendered paper (an uncoated grade) becomes even more accepted as an alternative.

In addition to the decline in advertising pages, the

COURTESY OF S.D. WARREN

following factors also slowed demand:

- Postal rate increases;
- Newly implemented or anticipated taxes;
- A trend toward lighter basis weight;
- Circulation cuts to deliver more revenue per sub;
- Growing use of recycled fiber.

A move to lighter weights

Increased costs due to a 40 percent rise in postal rates and new taxes on magazines are in part driving a trend toward ultra-lightweight coated stock. In the past, few publications were printed on paper lighter than 36 or 34 pounds, but now many magazines are moving toward the 30- and 32-pound categories. These lighter weight papers are gaining acceptability as mills achieve better opacity and improved machine runnability. The major complaint of many advertisers is that the lightweight papers allow too much show-through. This in turn opens a door for supercalendered papers, since they offer the lower basis weights and less show-through at a lower cost level.

Interest, not action, in recycling

At the same time, publishers are being pressured from all sides—by the government and by their readers—to consider the use of recycled paper. Right now, though, the primary demand for recycled paper is coming from magazines that have an environmental slant.

The biggest obstacles to more extensive use of recycled paper appear to be price, lack of availability and poor quality—with price being the biggest hurdle. Once recycled paper becomes an attractive economic alternative, mass-market publishers will certainly look at its use more closely.

Similarly, printers' lack of experience in recycled paper printing will gradually cease to be a problem. Recycled papers' printing performance is not the same as virgin fiber sheets'. As printers' knowledge grows, use of recycled papers will increase, although it's unlikely that recycled products will have any major impact on demand for coated paper over the next two years.

Better quality, lower cost

Higher quality grades will experience the highest growth rates. Offshore producers introducing new grades (such as double-coated mechanical) and superior quality supercalendered and lightweight coated papers at competitive prices have become a real boon to North American publishers.

Because of the oversupplied market, many U.S. coated freesheet producers have also upgraded their

U.S. supply/demand profile

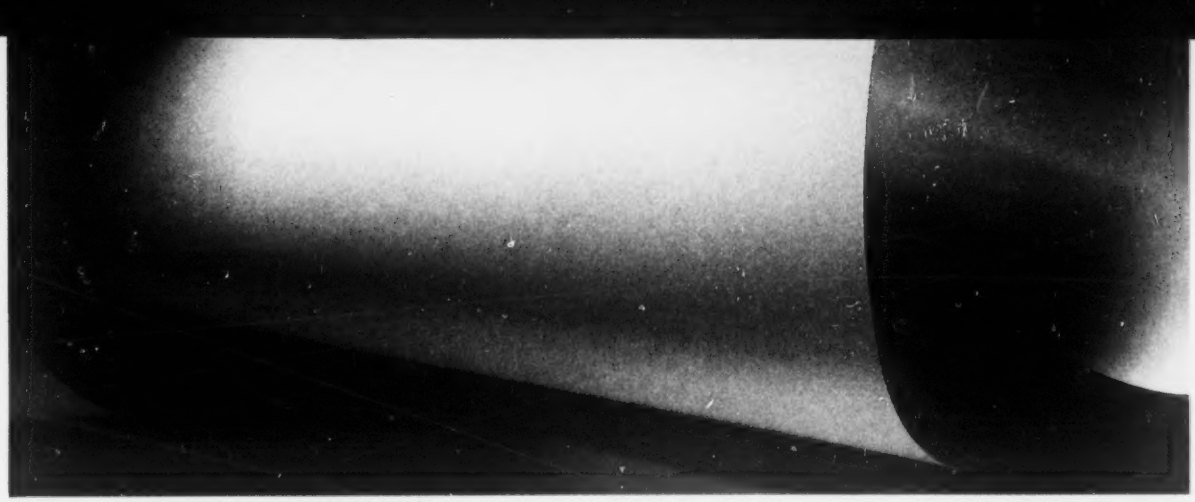
(in thousands, short tons)

	1990	1991	Forecast 1992	1993
Coated groundwood				
U.S. capacity	4,398	4,553	4,596	4,628
U.S. shipments	4,214	4,190	4,445	4,560
(–Total exports)	137	150	170	185
Total U.S. imports	665	610	700	785
Total U.S. consumption/demand (Shipments – exports + imports)	4,742	4,650	4,975	5,160
U.S. capacity utilization (%) (Shipments ÷ capacity)	95.8%	92.0%	96.7%	98.5%

	1990	1991	Forecast 1992	1993
Coated freesheet				
U.S. capacity	3,638	4,023	4,362	4,533
U.S. shipments	3,307	3,255	3,655	3,900
(–Total exports)	82	90	110	135
Total U.S. imports	272	250	260	260
Total U.S. consumption/demand (Shipments – exports + imports)	3,497	3,415	3,805	4,025
U.S. capacity utilization (%) (Shipments ÷ capacity)	90.9%	80.9%	83.8%	86.0%

Source: Jaakko Poyry Consulting. Historical data and capacity information from American Paper Institute.

The supply/demand ratio is expressed as the industry operating rate (or capacity utilization). In general, the lower the percentage of capacity utilization, the better for publishers in terms of negotiating lower prices. In 1992, the pricing environment should be mixed. Publishers will probably see list prices for coated groundwood remain at around the same levels, although discounts will probably drop from 1991 by about 5 percent. The main reasons for prices being kept down is heightened competition from heavily discounted coated freesheet grades and possible ongoing pressure from offshore producers. Coated freesheet will continue to be a bargain in the year to come. While demand for grades #3 and #4 will increase, there will still be an overcapacity situation. Capacity utilization should remain in the mid-80-percentile range through 1993, holding prices to 1991 levels.



quality and introduced new grades to boost their competitiveness. In many instances these grades feature characteristics typical of the next higher grade (*e.g.*, a #4 grade with #3 qualities), but are being marketed at the lower-grade price. Thus, even publishers working on very tight budgets may now be able to afford to take a step up in paper quality this year.

Inventories high

Although demand for coated paper should increase in 1992 because it is both an election and Olympic year, it will have little impact on shipments. Purchasers' inventories increased in 1990, as many mills attempted to keep their capacity utilization up and storage space clear by pushing excess supply out to the marketplace. Thus, any increased demand will probably be satisfied by existing inventory rather than new manufacture.

The expected increase in the 1992 demand for coated paper is 715,000 tons, or almost 9 percent over 1991 levels. The increase is expected to be spread equally between coated groundwood and coated freesheet papers on a tonnage basis.

With the majority of industry-wide investment complete and the many planned expansions shelved because of the poor market conditions, the supply picture should tighten up over the next few years, although 1992 will still favor the buyer. The one certain new coated groundwood machine in the 1990s—at Boise Cascade's Rumford mill—has been delayed again, from 1993 to 1994.

With supply no longer growing, the balance between supply and demand will level out. This, coupled with increased demand driven by the Olympics, the Presidential election and an improving economy, will bring the market back into balance.

Where prices are going

At the risk of oversimplifying a complex relationship, it can generally be stated that product prices are determined—by and large—by the supply/demand ratio. This ratio, expressed as the industry operating rate (or capacity utilization) is the total shipments divided by capacity. Figures cited on the preceding table under shipments reflect our best estimate of production output; however, some paper may be held out of the marketplace as inventory. Capacity figures represent the potential for paper production—*i.e.*, total production capability with all mills running at 100 percent of capacity.

In 1992, the pricing environment for publishers should be somewhat mixed. Coated groundwood prices in 1991 were below what was expected, with discounts of up to $140/ton (about 15 percent on average) for coated groundwood #5. Although the demand for coated groundwood will increase and no new capacity will be coming on-line, publishers will probably see list prices remain at around the same levels in 1992, although the discounts being offered will probably shrink by about 5 percent. The main reason for prices being kept down is increased competition from coated freesheet grades, which are also being heavily discounted, plus the possibility of continuing offshore competitive pressure.

> Over the long run, the supply picture should tighten up, although buyers will have the edge through 1992.

Coated freesheet papers will offer an even better bargain for publishers in the following year. In 1991, suppliers offered discounts of up to 20 percent off list price for the #3 and #4 grades. While demand for these grades will increase, there will still be an overcapacity situation due to all the machines that came on-line in 1990. Capacity utilization should remain in the mid-80-percentile range through 1993. This will make meaningful price increases difficult to achieve.

The lengths to which paper suppliers are going to hold business is illustrated by the fact that an acceptable 26-pound lightweight coated groundwood paper is now on the market. This option would have been unthinkable two years ago when it was a seller's market.

At a time when there is very little good news for magazine publishers, the paper industry is providing some solace. Paper prices will hold steady and producers will enhance quality, increase recycled fiber use, and offer lighter basis-weight papers. ■

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